



CHEMEMAN PUBLIC COMPANY LIMITED

Management Discussion and Analysis

For three-month period ended 30 June 2023

Business Overview



Chememan Public Company Limited (SET: CMAN) is one of the world's ten largest lime producers, with more than 1 million tons of annual production capacity. Lime is one of the world's oldest and most vital and versatile chemicals and is regularly used in various industries and production applications. With high chemical-grade limestone quarries in Thailand and Vietnam, modern lime production facilities in Thailand, Vietnam, and India, and a state-of-the-art distribution center in Australia, CMAN has successfully developed a highly diversified customer portfolio that focuses on high-value-added end users in its targeted industries, especially mining (alumina, gold, copper, nickel, lithium, rare earth), iron & steel, construction (lightweight concrete blocks), pulp & paper, precipitated calcium carbonate (PCC), chemicals & derivative chemicals, sugar, bioplastics, glass & bottles, feedmills, flue gas treatment, and waste & wastewater treatment. CMAN exports around 60% of its capacity across 30 countries in Asia, Australia, and Africa. In 2023, CMAN celebrates its 20th anniversary of operations. With clear business strategies and a team of experienced and dedicated professionals, CMAN plans to expand further in its next decade with a goal of 2 million tons of annual production capacity and strengthen its position as the leading lime company in the growing Asia-Pacific region.

Discussion and Analysis

CMAN delivered a solid second-quarter performance with THB 213 million in EBITDA and THB 59 million in net profits, despite a one-time impact from settling one shipping dispute at a loss. Without this extraordinary expense, consolidated net profits would have equaled THB 83 million.

During the first 6 months of 2023, CMAN achieved record revenues of THB 1,920 million and net profits of THB 152 million, which was the total net profit for 2022. The strong first-half



performance is the result of various long-term strategic business decisions, including the development of target countries and customers to achieve a growing and well-diversified customer portfolio, continuous capacity management and improvement of operating efficiencies, high product quality standards and timely deliveries, and profit margin optimization.

Second Quarter 2023 Performance

<i>Unit: Million Baht, Except per share amounts</i>	2Q23	1Q23	2Q22	%QoQ	%YoY
Revenues	856	1,063	851	-19.5%	+0.6%
Net income (loss) attributable to CMAN	59	92	(4)	-35.9%	N/A
Earnings (loss) per share attributable to CMAN	0.06	0.10	(0.004)	-35.9%	N/A
Adjusted net income (loss) attributable to CMAN (*)	108	72	57	+50.3%	+88.7%
Adjusted earnings (loss) per share (*)	0.11	0.07	0.06	+50.3%	+88.7%
Adjusted EBITDA excluding special items (*)	262	233	190	+12.6%	+38.1%

(*) Excludes all significant non-cash items, such as unrealized foreign exchange gains/losses from translation adjustments and mark-to-market gains/losses from forward contracts

- Domestic Revenues:** Domestic revenues equaled THB 331 million, down 24.6% compared to the previous quarter as the peak season of the Thai sugar industry ended, but up 10.2% compared to the same quarter last year, mainly from the chemicals and building and construction industries.
- International Revenues:** International revenues equaled THB 453 million, down 18.7% and 4.9% compared to the previous quarter and the same quarter of last year, respectively. Average lime prices fell in line with lower energy prices. Lower lime demand in several industries, particularly mining, chemicals and iron and steel, also contributed to the revenue decreases.
- Service Revenues:** Service revenues equaled THB 73 million, up 7.4% from the previous quarter but slightly down by 1.5% from the same quarter of last year. Service revenues are directly correlated to throughput volumes at Hope Valley Distribution Center.
- Cost of Goods Sold and Service:** As global energy prices decreased and operating efficiencies improved, the cost of goods sold equaled THB 506 million, down 24.4% and 6.6% compared to the previous quarter and the same quarter of last year, respectively. The cost of services equaled THB 61 million, up 4.8% but down 13.6% compared to the previous quarter and the same quarter of last year, respectively. As a



result, gross margins improved to 33.8%, compared to 31.7% in the previous quarter and 28.1% in the same quarter of last year.

- Adjusted EBITDA:** Adjusted EBITDA equaled THB 262 million, up 38.1% compared to the same quarter of last year, primarily due to lower selling expenses (mainly freight rates) and up 12.6% from the previous quarter primarily due to realized exchange gains in the second quarter from Thai Baht depreciation.
- Finance Costs:** Finance costs equaled THB 53 million, up 0.4% and 47.3% compared to the previous quarter and the same quarter of last year, respectively. Even though total interest-bearing debt decreased, higher US Dollar and Thai Baht interest rates increased our finance costs.
- Net Profits Attributable to CMAN:** Consolidated net profits attributable to shareholders of CMAN were THB 59 million, or THB 0.06 per share, with a 6.6% net profit margin. Excluding the settlement payment of the shipping dispute, consolidated net profits would have been THB 83 million with a 9.3% net profit margin, an increase from 8.5% in the previous quarter, even though revenues decreased by THB 207 million.
- Cash:** CMAN ended the quarter with a balance of THB 162 million cash on hand. Cash flow from operations was THB 544 million. Cash flow for investing activities was THB (67) million, primarily due to a capital increase in a joint venture in India and general capital investments. Cash flow from financing activities was THB (414) million, as CMAN repaid THB 286 million of long-term loans and leases year to date and THB 38 million of dividends.
- Assets:** Total assets as of 30 June 2023 were THB 6,575 million, a 3% decrease from the end of 2022, due to lower outstanding account receivables, inventories, and net-PPE after depreciation.
- Liabilities:** Total liabilities decreased to THB 4,097 million, down 7% from the end of 2022, primarily due to long-term loan repayments.

Financial Ratios

	2Q23	1Q23	2Q22
Gross Profit Margin	33.85%	31.69%	28.12%
Net Profit Margin	6.59%	8.53%	(0.38%)
Return on Equity	9.93%	15.93%	(0.64%)
Debt to Equity	1.70X	1.80X	2.01X
Interest Bearing Debt to Equity	1.47X	1.53X	1.69X



2023 Outlook

The business outlook remains uncertain during the second half of 2023. CMAN's market demand in the third quarter has historically been its lowest due to seasonality. In 2023, a drop in lime demand among many customers will occur not only due to seasonality but also lower end-user demand due to the global economic slowdown. While CMAN expects global energy prices in the second half of 2023 to stabilize, resulting in lower costs of goods and services, sales volume and lime product prices during the same period are also expected to decline from lower demand. Interest rates will remain high for the rest of 2023.

During the third quarter, CMAN will shut down at least one lime kiln for major repairs and overhauls before the historically stronger fourth quarter begins. To minimize the risks of this tough operating environment, CMAN will continue to optimize its cost structure and drive selective sales efforts at reasonable profit margins. At the same time, CMAN aims to grow and study product and capacity expansion opportunities in strategic countries, which should result in a larger business footprint and long-term competitive advantages in the fast-growing Asia Pacific region.

CMAN is also working on various initiatives to improve our financial position. We closely monitor cash flows to ensure that we can operate efficiently during this time of high-interest rates and high loan repayments. In the long term, Chememan is committed to a policy of business sustainability. CMAN plans to invest in more solar power capacity and electric vehicles, including both wheel loaders and trucks, to not only reduce operating costs but also create a positive impact on the environment.